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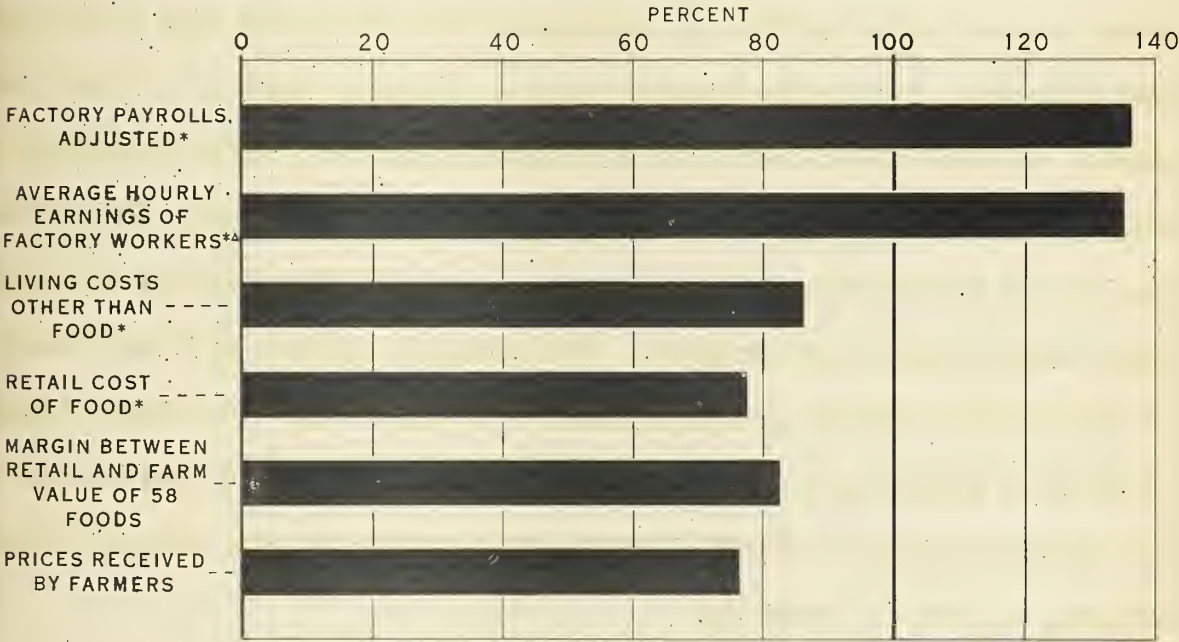
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WAGES IN MANUFACTURING INDUSTRY AND FACTORS ASSOCIATED
WITH LIVING COSTS, UNITED STATES, MAY 1941
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DESPITE SHARP INCREASES IN PRICES OF FARM PRODUCTS IN RECENT MONTHS, RETAIL FOOD COSTS STILL ARE LOW RELATIVE TO THE EARNINGS OF IMPORTANT GROUPS OF NONFARM WORKERS COMPARED WITH THE SO-CALLED PROSPERITY YEARS 1924-29. WITH THEIR EARNINGS WELL ABOVE THE 1929 LEVEL, FACTORY WORKERS IN MID-1941 COULD BUY 58 FOODS AT RETAIL FOR ABOUT ONE-FIFTH LESS THAN IN 1929. ABOUT HALF OF THIS SAVING WAS CONTRIBUTED BY FARMERS IN LOWER FARM PRICES, THE REMAINDER BY MIDDLEMEN THROUGH REDUCED MARKETING CHARGES.

SUMMARY

Prices and income received by farmers recently were about one-fourth higher than a year earlier. Since agricultural production as a whole has changed very little and export demand has declined, it is evident that most of this rise in prices and income may be attributed to the expansion in domestic demand resulting from the defense program and to new legislation affecting prices.

For the year 1941 as a whole, however, the general level of prices received by farmers probably will average not more than 20 percent above 1940, since in some months of 1941 the comparison with last year will be less favorable than now. By far the largest increase in prices will be for meat animals, showing a gain in 1941 over 1940 of perhaps 30 percent, while for grains and dairy products the prospective gains are about half this much. Closely following will be truck crops and chickens and eggs, with fruit and miscellaneous crops making only slight progress. The advance in prices paid by farmers will be much smaller than in prices of farm products, so that the ratio of prices received to prices paid may be around 15 percent greater in 1941 than in 1940. The over-all gain in cash farm income probably will be more than 1.5 billion dollars, or about 17 percent.

The largest increases in farm income during the first half of the year were for livestock and livestock products, since marketings of crops affected by increased Government loan rates were seasonally reduced during that period. The increase in income from crops over last year will be much more marked in the last half of 1941.

Despite these increases, prices of farm products and retail food costs still are low relative to many other prices and to earnings of important groups of nonfarm workers compared with relationships existing in the so-called prosperity years of 1924-29. With their earnings well above the 1929 level, factory workers in mid-1941 could buy 58 foods at retail for about

one-fifth less than in 1929. About half of this saving was contributed by farmers in lower farm prices, the remainder by middlemen through reduced marketing charges.

In sharp contrast with the excellent domestic demand situation, export demand for farm products continues weak, and prospects for substantial improvement are not bright. Were it not for prevailing Government agricultural programs the producers of agricultural commodities for export would be facing tremendously restricted markets and an extremely discouraging price and income situation.

-- July 17, 1941

The situation by commodities is as follows:

- Wheat:** Domestic wheat prices in mid-July were higher than in mid-June, and only slightly lower than on July 8, when they were the highest since May 1940. The advance in wheat prices was influenced by the general strength in speculative markets, and by the holding back of new wheat under the loan program.
- Cotton:** Factors which contributed to the advance in the 10-market price of Middling 15/16" cotton from 13.75 cents on June 15 to 15.38 on July 14 include: (1) higher loan rates on the 1941 crop, (2) a continuing high level of domestic consumption, and (3) the feeling in trade circles that the smaller planted acreage and generally unfavorable crop conditions over much of the Cotton Belt may materially reduce production in 1941. Consumption totaled 875,000 bales in June, making the 11-month total about 8.8 million bales, an increase of 23 percent over a year ago. Since the decrease in total consumption in June was less than usual for the season, the adjusted index of consumption rose to 168, a gain of 4 points over May. Textile sales have recently been retarded by the lack of goods available for early delivery and by the establishment of ceilings over the prices of some cotton goods. The area of cotton in cultivation on July 1 was officially estimated at 23,519,000 acres. If the percent abandoned in 1941 is equal to the 10-year average, an acreage of 23,102,000 is indicated for harvest, the smallest since 1895. Exports during June were 75,000 bales, making a total for the 11 months of 1,051,000, a reduction of 83 percent from the total for the 11 months ending a year earlier.
- Feed grains:** Supplies of feed grains and hay for 1941-42 are indicated on the basis of July 1 conditions to be the largest in

recent years. Feeding ratios were more favorable during the past quarter and disappearance of corn and oats was somewhat greater than in the corresponding quarter of 1940.

Hogs:

The 1941 spring pig crop is estimated to be about the same as that of 1940, and this year's fall crop probably will be materially larger than that of last year. Total hog supplies during the 1941-42 marketing year are expected to be moderately larger than in each of the 2 preceding years. But further improvements in demand are expected to more than offset the prospective increase in supplies. Hog marketings have decreased seasonally during the past 2 months, and weekly slaughter is smaller now than a year earlier. Hog prices have advanced sharply in recent months and are now the highest they have been since 1937.

Beef cattle:

Marketing of slaughter cattle have been of record proportions during the past 2 months, apparently reflecting a heavy movement of grain-fed cows and heifers. This may reduce somewhat the expected large increase in supplies of such cattle during the late summer and fall. Marketings of grass-fat cattle will increase seasonally during the next few months, however, and total slaughter supplies are expected to continue larger than a year earlier. Prices of heavy fat steers are only a little higher now than a year earlier. But prices of cattle of the lower grades and lighter weights are mostly well above those of a year ago.

Lambs:

Marketings of sheep and lambs will increase seasonally during the next few months as new-crop lambs reach market weight, but total supplies during the summer and fall will not differ greatly from those a year earlier. Lamb prices have fluctuated considerably during the past 2 months, but they have continued above prices a year earlier and have not declined as sharply as they usually do after the market movement of the new-crop lambs gets under way.

Wool:

Mill consumption of wool in the United States has been at record levels in recent months, and imports of apparel wool also have been the largest in at least 20 years. Present indications are that mill consumption will continue large during the remainder of 1941, but no material change in domestic prices is expected during the next few months. Producers have now marketed most of their 1941 clip.

Dairy products: Production of milk and manufactured dairy products has continued at record high levels. However, because of the increased demand, both from consumers and from the food-for-defense program, prices are continuing well above prices a year earlier.

Poultry and
eggs:

Farm marketings of both chickens and eggs are expected to increase in coming months relative to the corresponding

months of last year. Because of the stronger demand this year, however, prices received by farmers for these products are expected to continue well above prices a year earlier during the remainder of 1941.

Fats and oils: Total production of fats and oils from domestic materials in 1941 is expected to be slightly larger than the record output in 1940. The increase in domestic output, however, may be about offset by reduced imports. Demand for fats and oils continues to strengthen. Prices of fats and oils have risen sharply during the past 6 months, but prices of oilseeds and of oilcake meal have shown only moderate advances.

Fruits: Fruit supplies in the 1941-42 season probably will be slightly to moderately larger than in the preceding season, but the effect of these larger supplies on prices probably will be offset in part by rising consumer purchasing power.

Potatoes: A smaller intermediate and late crop of potatoes this season compared with last, together with a higher level of consumer demand probably will result in materially higher prices this fall and winter.

Dry edible beans: A record large crop of 18 million bags of dry edible beans is in prospect this season, but the effect of this large supply on prices is likely to be more than offset by the food-for-defense purchases and a higher level of consumer demand.

Truck crops: Although market prices of truck crops are declining more than seasonally, a 3-percent reduction in early summer supplies coupled with much higher consumer purchasing power probably will result in prices continuing higher than in 1940.

DOMESTIC DEMAND

The improvement in the domestic demand for farm products since the defense program was started a little over a year ago sometimes has been so gradual that it was difficult for farmers to see its effects on farm prices and income. But when conditions of recent months are compared with those of a year earlier the change is quite evident. Income from farm marketings in May of 748 million dollars was 156 million dollars higher than in the same month last year, and the seasonally adjusted index of cash farm income reached the highest point since April 1930. The general level of prices received by farmers was 24 percent higher in June than in June 1940. Since agricultural production as a whole has changed very little and export demand has declined, it is evident that most of this rise in prices and income may be attributed to the expansion in domestic demand and to new legislation affecting prices.

This improvement in demand reflects mainly the general increase in industrial activity, employment, and consumer purchasing power which has accompanied the expansion of the national defense program. This increase is indicated by a comparison of selected demand factors in 1940 with

estimates for 1941. Industrial activity probably will average around 25 percent higher in 1941 than in 1940, and will be by far the highest in the history of the country. Total employment in nonagricultural occupations will average nearly 40 million for the year, an increase of about 3 million over 1940. The incomes of industrial workers, including those engaged in manufacturing, mining and transportation, also will be at around a fourth higher in 1941 than in 1940, and substantially greater than in 1929 even if no allowance is made for the lower level of living costs. The income of persons engaged in nonindustrial pursuits such as service occupations will not rise proportionately with that of industrial workers, yet the total income of city people in 1941 should be at least one-eighth greater than in 1940. The total national income will be above even that of 1929, and in terms of the recently corrected series issued by the Department of Commerce may be around 15 percent higher than in 1940, when it was approximately 76 billion dollars. Urban living costs for the year as a whole probably will be up only about 5 percent over 1940, and hence the real as well as dollar purchasing power of industrial workers and many other groups of city people will be substantially greater. All of these indications point to the remarkable improvement since early 1940 in the basic economic conditions affecting the domestic consumer demand for farm products.

There have been other important factors, however, which also have favorably influenced the domestic demand situation in 1941. Government purchases of foodstuffs under the food-for-defense program have added directly to the demand for livestock and livestock products. Higher prices for some imported commodities competing with domestic products, especially fats and oils, have added to the domestic demand for these products. Storage demand and speculative demand generally have been very strong, as a result of prospective higher Government loan rates applying to 1941 crops, continued Government buying and support for prices of commodities affected by the food-for-defense program, and generally rising commodity prices, in addition to the continued strong consumer purchasing power and demand. Some of these factors have been especially strong in recent months, when the increase in farm prices and incomes has been most marked.

Some of these conditions which have favorably influenced the domestic demand for farm products in the first half of 1941 will continue to improve during the remainder of the year and into 1942. Many of the industrial plants which have been under construction since the defense program was inaugurated will be coming into active operation. Partly offsetting the effects of these new enterprises on total industrial activity will be forced reductions in output of some products not essential to defense. The net result should be a further growth in employment, consumer incomes, and demand for farm products, although there may be temporary interruptions due to the changing over of important industries from peacetime to defense production.

It is probable that under war conditions the index numbers of industrial production commonly used as an indication of general economic activity will be less indicative than formerly of changes in conditions affecting the demand for farm products. This has been true even during the past year, when such indices advanced more rapidly than usual relative to

measures of consumer purchasing power. With the volume of consumer services increasing and monthly wages and the general price level rising, it is possible that a reverse situation will prevail sometime during the next year, after the new defense plants have reached capacity and additions to total industrial output are more difficult to obtain. Ordinarily, too, changes in industrial indices are reflected to a considerable extent in the activities of speculative markets and in storage demand for farm products, but under war conditions other factors are likely to be relatively more important.

The effects of the improvement in demand conditions in prospect for the remainder of 1941 and for 1942 already have been partly reflected in the markets for farm products, and to that extent will not constitute a further stimulus to farm prices and income. For example, increased storage demand for dairy and poultry products, by raising prices during the spring and early summer storage season, tends to hold down immediate consumption and results in larger supplies next winter than would otherwise be available. Likewise, the effects of the higher Government loan rates which are to apply in the next marketing season already have been discounted to a considerable extent in the markets for the affected commodities. Thus, it is unlikely that the demand for farm products will continue to increase at as fast a rate as it has recently.

EXPORT DEMAND

The export demand outlook has not changed substantially from that given in recent issues of this report.

(In view of the relatively small volume of agricultural exports, the fact that Government purchases for the lease-lend program are tied in with purchases for domestic uses to an extent which makes it impossible to obtain separate data at the time purchases are made, the cessation of publication of export figures by countries of destination, and the relatively unimportant changes in the export situation from month to month under conditions recently prevailing, this section will be omitted from future issues of the Demand and Price Situation unless significant news develops.)

WHOLESALE PRICES

The advance in the general level of wholesale prices has continued about in line with earlier indications. The Bureau of Labor Statistics all-commodity index is about 13 percent higher now than a year earlier, but is still well below the 1926 average and slightly below the 1937 peak. A considerable part of the rather sharp rise in recent months is attributable to agricultural loan legislation and other Government activities affecting prices of farm products. The effects of some of these influences already are partly spent, but the general trend of prices will continue upward in response to expanding consumer purchasing power, increased needs for defense, and rising costs of production.

On the basis of prevailing trends, it now seems probable that the general level of wholesale commodity prices in 1941 will average at least 10 percent higher than in 1940. The largest increase will be for farm products (at least 15 percent), while for all commodities excluding farm products and foods the percentage increase may be only about half as much.

Despite this greater rise in prices of farm products than of nonagricultural commodities during the past few months, the former still are relatively low. Prices of farm products would have to rise considerably further, relative to prices of nonagricultural products and incomes of important groups of urban workers, before the relationship became out of line with that prevailing in periods of years commonly used for comparison. (See chart on cover page.)

To an increasing extent from now on legislative and administrative policies will modify supply-and-demand conditions as determinants of commodity prices. The anticipation of price-level changes will depend as much on appraisals of national policy with respect to these matters as upon the current movements of directly operating demand and supply conditions. It is easier for the Government to affect prices when business is booming and prices are strong than when business is in depression and prices are falling. In the latter case, attempts to halt price declines usually necessitate willingness to take off the market any quantity of the products which cannot be sold at the desired level of prices; whereas, when prices are rising it is possible in many cases to place a ceiling on them and either let consumers scramble for the available supply or apportion it among buyers by a system of priorities. Thus, the extent to which general price increases will occur in response to expanding money purchasing power and demand will depend partly upon the extent and character of measures which may be taken to prevent the increase from getting out of line.

In the end, of course, if the money incomes of consumers continue to expand with no increase or a decrease in the volume of goods available for civilian consumption, the additional income must be channeled somewhere if marked price increases are to be avoided. But the relationship between the volume of money purchasing power, production of durable manufactured goods for civilian use, and prices is by no means exact, since other variables are involved in the equation. It does not necessarily follow, therefore, that attempts to retard the rise in the general level of prices need be unsuccessful merely because purchasing power is increasing and the production of civilian goods is limited by defense requirements. Much depends, also, upon Government policies and actions with respect to the factors affecting costs of production and prices of key commodities. But despite the utmost vigilance, as long as the upward pressures on prices exist there will be bulges here and there which will push up the general price level. And there is always danger that these advances may be sufficient to force eventual increases in costs and selling prices of other commodities more amenable to immediate controls.

PRICES AND INCOME RECEIVED BY FARMERS

There are some indications that prices received by farmers may not advance as rapidly in the next few months as they did during the spring and early summer. The effects of the higher Government loan rates on 1941 crops already have been reflected to a considerable extent in market prices of the affected commodities. Seasonal increases in prices of livestock and livestock products will not be as great as they would have been if the Government food-for-defense program had not caused prices to rise so much in the spring. Moreover, a considerable part of the recent sharp increases

in industrial activity and consumer purchasing power already has been reflected in consumer demand for farm products, which is not expected to continue the rate of improvement recently prevailing (see discussion of domestic demand).

For the year 1941 as a whole the general level of prices received by farmers probably will be nearly 20 percent higher than in 1940, with the largest increase in prices of livestock and livestock products. Of the important groups of farm products, meat animals will show by far the largest gain, perhaps about 30 percent, with grains and dairy products running almost neck and neck with prospective gains about half as large. Closely following will be truck crops and chickens and eggs, with fruit and miscellaneous crops tagging along in the rear yet making some progress. The advance in prices paid by farmers will be much smaller than in prices of farm products, so that the ratio of prices received to prices paid should be around 15 percent greater in 1941 than in 1940.

During the first 5 months of the year income from the sale of livestock and livestock products was about 23 percent more than in the same period of 1940, with the largest increases in cattle, hogs, wool and butterfat. Rises in prices of grains and cotton in anticipation of increased Government loan rates applying to the 1941 crop have not yet had any large effects on the total volume of income because of the seasonally reduced marketings of the affected crops during the past several months. Some additional income was received from the redemption of cotton and wheat from Government loans for sale in the market. The increase in income from crops over last year will be much more marked in the last half of the year. For the first 5 months of 1941 cash income from farm marketings as a whole was about 14 percent higher than in the corresponding period of 1940.

Present prospects are for a relatively high level of agricultural production in 1941. This, together with the probable trend of farm prices during the remainder of the year and cash farm income to date, indicates that the total cash income from farm marketings in 1941 may be as much as 10 billion dollars, compared with only \$8,357,000,000 in 1940. Should these prospects be realized, income from marketings in 1941 would be the highest for any year since 1929, when it was 11.2 billion. The highest recorded farm income in the past 30 years was 14.4 billion in 1919. Farmers will also receive in 1941 a total of nearly \$700,000,000 in the form of Government payments, making the prospective total cash farm income somewhere around \$10,700,000,000 this year compared with \$9,123,000,000 for 1940, an increase of about 17 percent. Some costs of farm production also are rising, however, farm wages in particular having gone up sharply. The increase in net returns to farmers will help to correct some of the disparities which have existed in past years.

HOGS

The downward trend in hog production which began in 1940 has been halted. The 1941 spring pig crop, instead of being 10-15 percent smaller than a year earlier as seemed likely last December, was about the same as that of 1940, and this year's fall pig crop probably will be materially

larger than that of last year. The number of pigs saved during the past spring totaled slightly more than 50 million head. A slight increase over 1940 in the Corn Belt was offset by a reduction in other regions of the United States. The number of sows indicated to farrow during the 1941 fall season (June-November) is 13 percent greater than in the fall of 1940, and if the number of pigs saved per litter is about the same this fall as last the 1941 spring and fall pig crops will total about 83 million head, compared with the revised estimate of 79.5 million head for 1940.

Although the 1941 spring pig crop is about the same as that of 1940, a larger than usual proportion of the crop was farrowed late this year, and supplies of hogs this fall and early winter probably will be smaller than the exceptionally heavy movement during the October-December period last year. It now appears likely that hog slaughter in the first 6 months of the 1941-42 marketing year (October-March) will total about the same or slightly smaller than in the first half of 1940-41. But because of the expected increase in this year's fall pig crop, slaughter in the last half of the marketing year (April-September) will be larger than in corresponding months of 1940-41.

On the basis of the preliminary indications of the 1941 pig crop the number of hogs slaughtered under Federal inspection during the 1941-42 marketing year may total approximately 50 million head. This is about 2.5 million head more than in each of the preceding 2 marketing years. The demand for hog products is expected to be better in 1941-42 than in 1940-41 and this improvement in demand will more than offset the effects on hog prices of the prospective moderate increase in hog supplies.

Marketings of hogs decreased sharply in June. Inspected hog slaughter for the month of 3.3 million head was 17 percent less than in May and 14 percent less than in June 1940. Slaughter supplies of hogs during the last quarter (July-September) of the current marketing year are expected to total about 10 percent less than in the corresponding months of 1940. Slaughter supplies of hogs during the late summer and early fall consist chiefly of pigs farrowed the preceding fall and packing sows. The revised estimate of the 1940 fall pig crop was 10 percent smaller than the fall crop of 1939, and marketings of packing sows are being reduced by the holding back of a larger number of sows to farrow this fall. About 22 percent of all hogs purchased at seven important markets in early July were packing sows; this compares with 28 percent a year earlier.

After advancing sharply during most of June, hog prices weakened during the last few days of the month. But since July 1 they have again advanced sharply. The average price of all hogs at Chicago for the week ended July 12 was \$10.70, \$1.25 higher than a month earlier, and about \$4.50 higher than a year earlier. Hog prices are now the highest they have been since 1937.

CATTLE

Marketings of slaughter cattle have been of record proportions during the past 2 months, apparently reflecting a heavy movement of grain-fed steers and heifers. This may reduce somewhat the expected large increase in supplies of such cattle during the late summer and early fall. But marketings of grass-fat cattle will increase seasonally during the next few months and

total slaughter supplies of cattle are expected to continue larger than a year earlier. The general level of cattle prices so far in 1941 has averaged higher than a year earlier despite the record production of beef and veal during the period. Consumer demand for meats is expected to improve further during the next few months, and this may more than offset the effect of the increase in slaughter upon the general level of cattle prices. Prices of well-finished cattle probably will not advance as sharply as they did in the last half of 1940, however.

Marketings of slaughter cattle decreased somewhat in June from the exceptionally heavy marketings a month earlier. The total number of cattle slaughtered under Federal inspection during June was 867,000 head, 4 percent less than in May but 18 percent more than in the corresponding month of 1940. As in May, it was the largest commercial slaughter for the month on record. Calf slaughter of 440,000 head in June was seasonally smaller than in May, but slightly larger than in June last year.

After strengthening somewhat in mid-June prices of most grades of slaughter cattle weakened again during the last half of the month and in early July. The average price of good grade beef steers at Chicago for the week ended July 12 was \$10.65, about 30 cents lower than a month earlier and only a few cents higher than in the corresponding week of last year. Prices of feeder cattle have declined about \$1.00 during the past 3 months, but they are still high relative to prices of fat cattle.

Although prices of all slaughter cattle are still higher than a year earlier, prices of heavy, well-finished steers have dropped sharply since January of this year. Prices of cattle of the lower grades and lighter weights have been well maintained, however. And in mid-July cows and heifers prices were around \$1.00 higher than a year earlier, while prices of beef and sausage bulls were close to \$2.00 higher. Good and choice grade steers weighing over 1,100 pounds are now selling at prices 50-75 cents under lighter weight steers of comparable quality, whereas a year ago the price advantage was in favor of the heavy steers.

SHEEP AND LAMBS

Marketings of sheep and lambs will increase seasonally during the next few months as new-crop lambs reach market weights. Weather and feed conditions were exceptionally favorable during the past spring, and it is likely that the 1941 lamb crop will be as large as that of a year earlier, if not slightly larger. Slaughter supplies in the 1941 grass-lamb marketing season (May to November) probably will not differ greatly from those of a year earlier, however. The lamb crop has not fluctuated greatly during the past several years, and year-to-year changes in sheep and lambs slaughter during May to November have resulted largely from changes in the proportion of the crop marketed as feeder lambs or held back for marketing the following spring as shorn yearlings. Further improvement in consumer demand conditions and higher prices for wool this year than last will be strong price-supporting factors this summer and fall, and lamb prices will probably average higher than in the corresponding period of 1940.

Marketings of sheep and lambs decreased fairly sharply in June. Federally inspected slaughter for the month totaled 1,378,000 head, 11 percent less than in May but about the same as in June last year.

Lamb prices have fluctuated considerably during the past 2 months, but they have continued above prices a year earlier and have not declined as sharply as they usually do after the market movement of new-crop lambs gets under way. The average price of good and choice grade slaughter lambs at Chicago for the week ended July 12 was \$11.50. This compares with about \$11.90 in early June and \$10.15 in the corresponding week of 1940. Prices of shorn yearling wethers and ewes are around 50 cents - \$1.00 higher now than a year earlier. Some contracting of lambs for fall delivery has been reported in the Western sheep States at prices ranging around \$1.00 higher than a year earlier.

WOOL

Mill consumption of wool in the United States has been at record levels in recent months, and imports of apparel wool have been the largest in at least 20 years. Present indications are that mill consumption will continue large during the remainder of 1941, but no material change in domestic prices is expected during the next few months. Reports indicate that most mills have already purchased domestic and foreign wool for their needs for the next several months. The major part of the 1941 domestic clip has already been sold by producers.

Domestic prices of wool have not changed much during the past few months following the marked advance in the last half of 1940. The average price received by farmers for wool in mid-June was 36.5 cents per pound, compared with 28.6 cents a year earlier. Prices received by farmers for the entire country in May and June this year were the highest reported since 1928. Price quotations on domestic wool at Boston were largely unchanged during June, and the volume of sales of domestic wool on the Boston market was small during the month. Some increase in sales was reported in late June as a result of the invitations for bids by the United States Army for a large quantity of wool piece goods and 1.5 million blankets.

The weekly rate of mill consumption of apparel wool in May was 10.3 million pounds, scoured basis. This is the highest rate for any month on record, more than double the weekly rate of consumption in May 1940. In the early months of 1941, for the first time in many years, mill consumption of foreign wool exceeded consumption of domestic wool by a substantial margin.

Imports of apparel wool for consumption in the first 4 months of 1941 totaled 229 million pounds, compared with 78 million pounds in the corresponding months of 1940. Imports are likely to continue large during the remainder of this year. A large part of the imports in recent months has come from Argentina and Uruguay, but remaining stocks in those two countries are reported to be small. The new clip in South American countries will not be available until next November, and in the next few months a large part of the United States imports of wool will come from Australia.

CORN AND OTHER FEED GRAINS

Supplies of feed grains and hay for 1941-42 are expected to be much above average, if not the largest in 20 years. The indicated production of four feed grains, plus carry-over of oats July 1, barley June 1, and expected corn carry-over next October 1, is about 3 or 4 million tons larger than the corresponding 1940 supply of 122 million tons. The corn supply is expected to approximate 3,200 million bushels for the fourth time in 20 years. The oats supply is now indicated to be about 1,436 million bushels and the barley supply about 409 million.

Even after excluding corn under loan or owned by the Government and allowing for an increase in the number of grain-consuming animal units, supplies of feed grains per animal unit in 1941-42 will be above the 1928-32 average. Stocks of corn under loan or owned by the Government on October 1 are expected to be considerably smaller than on October 1, 1940, and unsealed stocks much larger. The 1941 hay supply is indicated to be 107 million tons, slightly over the supply last year, and the largest on record.

Domestic disappearance of corn during the quarter April-June was 43 million bushels (about 10 percent) larger than in the corresponding quarter of 1940, and disappearance of oats was about 50 million bushels (23 percent) larger. Heavier disappearance of these grains is due to increased demand from livestock feeders resulting from the higher livestock prices. It now appears probable that feeding will continue heavy during the next year or so.

Cash prices of corn and oats have not changed much during the past month. The price of barley, however, influenced by the unusually large 1941 crop, has declined about 5 cents per bushel. In early July barley prices were low relative to corn and oats prices. The hog-corn price ratio has improved for hog producers during the past month, and other feeding ratios continue favorable.

WHEAT

Domestic wheat prices in mid-July were higher than in mid-June, and only slightly lower than on July 8, when they were the highest since May 1940. The advance in wheat prices was influenced by the general strength in speculative markets, and by the holding back of new wheat under the loan program.

Wheat prices in the United States remain considerably above export price levels. Prices of domestic spring wheat at Buffalo recently advanced to within a cent of the price of Canadian wheat of comparable quality, c.i.f., duty paid, at the same market. Ordinarily, prices would not rise this high without causing fear of large imports, which would tend to check further price advances. However, with the likelihood that the loan program in the United States would cause domestic prices to rise high enough relative to prices of foreign wheat so as to offset the 42-cent per bushel import duty, the President on May 28 proclaimed the establishment of import quotas on wheat and flour, thereby eliminating the fear of large imports.

Of the approximately 400 million bushels of old wheat carried over on July 1, 1941, about 175 million bushels are now in the Government pool, leaving

about 225 million bushels not in Government hands. There are still about 35 million bushels of farm stored wheat which is redeemable. This makes about 190 million bushels of old wheat free on July 1, which is a liberal carry-over. With the market from 10 cents (No. 2 Red at St. Louis) to 20 cents (No. 1 Soft White at Portland) below the loan rates, however, there is a strong tendency to hold wheat off the market. This is indicated by the fact that about 85 percent of the wheat arriving at Kansas City is going into public storage. On July 15 the railroads operating through Kansas City placed an embargo on all grain shipped to Kansas City for storage because of the small grain turn-over.

On the basis of the July 1 indication of a crop of 924 million bushels (13 million bushels above the June 1 indications), and a carry-over of almost 400 million bushels, a total supply of about 1,325 million bushels is indicated. With domestic disappearance estimated at 650 million bushels, there would be about 675 million bushels available for exports and carry-over. This is almost 250 million bushels above similar supplies in 1940-41.

FATS, OILS, AND OILSEEDS

For 1941 as a whole, the total production of fats and oils from domestic materials is expected to be slightly larger than the record output in 1940. Decreases in production of lard and greases probably will be more than offset by increased production of butter, tallow, cottonseed oil, peanut oil, linseed oil, and certain other vegetable oils. The increased output of vegetable oils will result partly from the large carry-over of 1940 crop oilseeds on January 1. Recent reports indicate that production of cottonseed and peanuts may be somewhat smaller in 1941 than in 1940, but soybean output may set a new high record. The flaxseed crop for 1941 is forecast at 30 million bushels, only 4 percent less than the near-record crop last year.

The ocean shipping situation continues to be highly uncertain. But unless shipping conditions become much worse than they have been in recent months, it is likely that the total reduction in imports of oilseeds and oils will be much less pronounced than had been anticipated earlier, and may be no greater than the increase in domestic production of fats and oils. Under these circumstances, total stocks of fats and oils probably will be reduced only to the extent that domestic consumption and exports may be increased this year.

Demand for fats and oils continues to strengthen. A sharp advance in prices of fats and oils took place during the first 6 months of 1941, with some items doubling in price. Prices of domestic oilseeds and oilcake meal showed only moderate advances during this period, although fairly substantial gains in prices of these products occurred in late June and early July.

COTTON

During the month ended July 14 cotton prices advanced about 1.6 cents and Middling 15/16 inch averaged 15.4 in the ten markets at the end of the period. If the farm price of cotton, which averaged 12.81 cents on June 15, has since advanced by the same amount as the ten-market price it was equivalent

on July 14 to about 90 percent of the June parity price of 16.12 cents. In addition to the higher loan rate on the 1941 crop, other price-supporting factors include a continuing high level of domestic demand and the feeling in trade circles that the smaller planted acreage this season and generally unfavorable crop conditions over much of the Cotton Belt may materially reduce cotton production in 1941.

Cotton consumption during June totaled 875,000 bales, a reduction of about 45,000 bales from the April and May level. Inasmuch as the decline was less than seasonal, a further advance occurred in the seasonally adjusted index of cotton consumption, which rose to 168 - a gain of 4 points from the May level and 54 points above June 1940. For the 11 months ended June 30, consumption totaled 8.8 million bales compared with 7.2 million last season and an average of 6.4 million for the period 1935-39.

Textile sales have been relatively small in recent weeks, largely on account of the scarcity of goods available for early delivery and the establishment of price ceilings over certain constructions of cotton goods on June 30. Mill margins on seventeen constructions of unfinished cloth averaged 21.84 cents in June. This is 1 cent above the May average, more than double the margin in June 1940, and about 80 percent above the average for the 10 seasons 1930-39. A marked narrowing of margins is reported to have occurred with the establishment of the price ceilings.

Weather conditions continue generally unfavorable for cotton production throughout much of the Cotton Belt. The area in cultivation on July 1 was officially estimated at 23,519,000 acres. If the percent abandoned in 1941 is equal to the 10-year average, an acreage of 23,102,000 is indicated for harvest in 1941, the smallest since 1895.

With exports during June totaling 75,000 bales the total for the first 11 months of the season was 1,051,000 bales, compared with 6,055,000 a year earlier.

POULTRY AND EGGS

Prices of eggs (fresh firsts) at Chicago averaged slightly lower during the first half of July than in the last half of June, but were about 10 cents per dozen (60 percent) higher than a year earlier and less than 2 cents below the peak for the year to date of around 28 cents per dozen in late June. The average price received by farmers for chickens in the United States in mid-June was 16.3 cents per pound, the same as in mid-May but 3 cents (22 percent) higher than in mid-June 1940. Prices of both chickens and eggs are expected to continue well above a year earlier during the remainder of 1941.

Storage stocks of shell eggs on July 1 were 14 percent smaller than on July 1, 1940, the into-storage movement during most of the into-storage season having been smaller than a year earlier. Storage stocks of frozen eggs, however, were 19 percent larger than on July 1, 1940. The net into-storage movement of frozen eggs during June was 37 percent larger than in June 1940. The shell-egg equivalent of all eggs in storage on July 1 was 2 percent smaller than a year earlier.

Purchases of eggs by the Department of Agriculture under the food-for-defense program during the week ending July 5 were the largest for any week

since the program started. Purchases included 5,980 cases of shell eggs, 13,810,220 pounds of frozen eggs, and 1,583,000 pounds of dried eggs.

Receipts of live fowls at central western primary markets during recent weeks have been materially smaller than a year earlier, an indication that farmers are holding back their hens for laying purposes. Receipts of young stock have been somewhat larger than a year earlier and are expected to be considerably larger in the last half of 1941 than in the last half of 1940.

DAIRY PRODUCTS

Milk production per cow on July 1 was about the same as on July 1, 1940 whereas on June 1 it was 3 percent larger than on the same date in 1940. Total milk production on July 1, although only 2 percent larger than a year earlier, was the largest on record for that date. Total production of the principal manufactured dairy products in May was 14 percent larger than in May 1940. Evaporated milk production was up 28 percent, cheese 14 percent, and butter 12 percent. During the remainder of the year, production of milk and of manufactured dairy products is expected to continue well above a year earlier. However, because of improved demand conditions, prices of dairy products during the remainder of 1941 are expected to continue much higher than a year earlier.

Prices of 92-score butter at New York declined from 37.5 cents on June 24 to 34.75 cents on July 14. On the other hand, prices of cheese (cheddars) on the Wisconsin Cheese Exchange increased from 18 cents in early June to 20.25 cents on July 11. During June and the first part of July the ratio of cheese prices to butter prices became increasingly more favorable for cheese production. Butter and cheese prices during June were the highest for the month since 1929.

The butterfat-feed ratio in June was the most favorable June ratio on record, except for 1926. The ratio is expected to continue more favorable to dairymen than in corresponding months a year earlier during most of 1941.

Stocks of butter on July 1 were 48 percent larger than on the same date in 1940. Stocks of American cheese were 25 percent larger and were the largest on record for that date.

Consumer expenditures for the three principal manufactured dairy products in April were 21 percent larger than in April 1940.

FRUITS

Fruit supplies in the 1941-42 season are expected to be slightly to moderately larger than in the preceding season. Fruit exports likely will continue to represent a very small portion of the total amount marketed during the present season. Thus, the increase in the total supply of fruit available for domestic consumption probably will be about as great as the increase in production. The price effects of these increased supplies will be at least partly offset by increased consumer demand for fruits and fruit products. Returns to growers generally will be larger than in the preceding season.

In California the total peach crop is estimated, as of July 1, to total 21.5 million bushels compared with 23.6 million in the summer of 1940. The clingstone crop is estimated to be 10 percent smaller and the freestone crop 7 percent smaller than in 1940. The smaller prospective crop this season compared with last, and the improved demand situation, will favorably affect the prices paid by canners and dryers for California peaches. The crop outside of California is indicated to be 48 percent larger than in 1940.

Total pear production this year is indicated, as of July 1, to total 31.1 million bushels, compared with 31.6 million last year and the 10-year 1930-39 average of 27.3 million bushels. As regards the canned pear situation, the carry-over of Pacific Coast canned pears was nearly three times as large as that of last year. This relatively large carry-over will tend to restrict the amount of pears canned this season, especially in view of the fact that export prospects are very unfavorable. Prospects of increased consumer purchasing power and a shorter peach crop for canning probably will not offset the loss of export outlets for canned pears.

The California Valencia orange crop, marketed mainly during the summer months, is now placed at 26.1 million bushels, 3 percent smaller than the crop from the bloom of 1939. Prices of California Valencias in the past 4 weeks have increased relative to those of a year ago and in the week ended July 3, New York auction prices averaged only 5 cents below those of a year earlier.

Early in July the Agricultural Marketing Service reported that the July 1 condition of apples in commercial areas was 65 percent compared with 62 percent on July 1, 1940. Condition was above the 6-year average in each of the three major regions of the country.

TRUCK CROPS

With prospective early summer supplies of truck crops about 3 percent smaller and consumer purchasing power much larger, the general level of vegetable prices probably will continue to average higher than a year earlier. Prices usually are moving downward during this time of year toward a seasonal low point in September when supplies from important producing areas in the Northern States, including the market garden areas, are at a seasonally high level. In recent weeks prices declined sharply as a result of increased marketings.

As a result of fairly remunerative prices received in 1940, truck crop producers have attempted to expand production this season, but to date unfavorable weather has interfered with planting operations, caused acreage losses, and reduced yields. The acreage of truck crops for fresh market shipment, harvested or remaining for harvest, is indicated to total 1,703,000 acres, or about 1 percent more than was harvested in 1940. There are decreases in all major groups of States except the Western group, in which substantial increases in Colorado, Arizona, and California resulted in a 4-percent increase for the group as a whole. The acreage of truck crops harvested to date was 2 percent larger than the comparable acreage in 1940, but lower yields resulted in a tonnage produced about 4 percent smaller.

The immediate prospect indicates important decreases from a year earlier in the market supplies coming from shipping areas of beets, cabbages, carrots, and watermelons, and small decreases in snap beans, celery, cucumbers, onions, and tomatoes. Substantial increases are in prospect for lima beans, cantaloups, eggplant, green peas, and green peppers, and small increases are probable for lettuce, onions, and New Jersey sweet corn. There will be available also a substantial supply of vegetables produced in the market garden areas, the relative output of which is not known.

DRY EDIBLE BEANS

Supplies of dry edible beans in the 1941-42 season are expected to be the largest on record, but the food-for-defense purchases plus rising consumer purchasing power probably will more than offset the normally depressing influence of these heavy supplies on prices.

There were unusually large supplies available last season and prices were at low levels until the food-for-defense buying began in March of this year. This program provided for purchases of white beans on competitive bids at an average price level approximating \$5.00 per 100-pound bag, Eastern seaboard basis. Market prices had reached that level by the end of May and purchases under this program totaled 1,716,000 bags up to July 1.

Prior to the inauguration of this purchase program the prospect was for a record large carry-over of beans as of September 1, 1941 and growers had indicated that they were going to reduce plantings this season by 8 percent. The purchases and sharp rise in prices caused growers to change their planting plans from a decrease of 8 percent to an increase of 11 percent. Yields based on July 1 condition are indicated to average slightly higher than those of a year earlier and prospective production is 18 million bags. This crop is about 2 million bags larger than the record large output of 16.1 million last season and 4.7 million larger than the 10-year (1930-39) average.

All of the increase this season is indicated to be in the two groups of States normally producing largely white beans, or in the Great Northern and pea bean areas. In the Pinto bean-producing areas of the lower Rocky Mountain region production this season is indicated to be about 12 percent smaller than in 1940. In California where a large number of varieties are produced the crop is indicated to be 5 percent smaller than last year's crop.

POTATOES AND SWEETPOTATOES

Substantially smaller supplies of late potatoes are in prospect this season compared with those a year earlier. This prospect, together with a higher level of consumer demand, probably will result in materially higher prices this fall and winter than were received for the 1940 late crop. Commercial supplies of potatoes available for immediate marketing, the intermediate crop, are about 7 percent smaller than those of last summer. These smaller supplies resulted in current prices averaging somewhat above those a year earlier. Normally market prices of potatoes reach the lowest level of the season in August or September.

A smaller late crop than a year earlier is indicated for each of the three regions, with the Central States showing a reduction of 9 million bushels

and the West 11 million. For the country as a whole the late crop totals 290 million bushels compared with 313 million last season. This smaller crop, added to the relatively small total intermediate crop (29.5 million bushels compared with 36.2 million), makes a 30-million bushel reduction in the supply of potatoes for the summer, fall, and winter marketing period compared with that of last year. It is about 12 million less than the 10-year (1930-39) average.

Sweetpotato production is indicated to total 71 million bushels or about 9 million bushels more than was produced in 1940 but about 2 million less than the 10-year (1930-39) average. The crop this season is expected to be larger in nearly all the important groups of States, but most of the increase occurs in the South Central group where the crop was relatively small last season. As a general rule the marketing season for stored sweetpotatoes ends about mid-July as the new crop begins to move. Market supplies at this time, therefore, are at a seasonally low level and prices are usually the highest.

ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUSTRIAL PRODUCTION ¹	FACTORY EMPLOYMENT ²	FACTORY PAY-ROLLS ²	INCOME OF INDUSTRIAL WORKERS ³	VOLUME OF AGRICULTURAL EXPORTS ⁴	WHOLE-SALE PRICES OF ALL COMMODITIES ⁵	WHOLE-SALE PRICES OF ALL FATS AND OILS	RETAIL FOOD PRICES ⁶	PRICES RECEIVED BY FARMERS ⁷	PRICES PAID BY FARMERS	RATIO OF PRICES RECEIVED TO PRICES PAID	CASH INCOME FROM FARM MARKETING ⁸
<i>Base Period</i>	1935-39	1923-25	1923-25	1924-29	1924-29	1910-14	1924-29	1913	1910-14	1910-14	1910-14	1924-29
1929	110	106	110	107	94	130	97	166	146	153	95	104
1930	91	92	89	88	80	126	81	158	126	145	87	83
1931	75	78	68	67	78	107	61	130	87	124	70	58
1932	58	66	47	46	83	95	44	108	65	107	61	44
1933	69	73	50	48	76	96	48	105	70	109	64	49
1934	75	86	64	61	59	109	59	117	90	123	73	58
1935	87	91	74	69	55	117	78	126	108	125	86	65
1936	103	99	86	80	51	118	79	127	114	124	92	76
1937	113	109	102	94	59	126	82	132	121	130	93	82
1938	88	91	78	73	67	115	66	122	95	122	78	71
1939	108	100	92	84	58	113	61	119	93	121	77	73
1940	122	108	105	95	42	115	64	121	98	123	80	78
1940 -												
June	121	104	99	90	41	113	61	123	95	123	77	70
July	121	105	102	93	47	113	61	122	95	122	78	71
Aug.	121	107	106	96	31	113	60	121	96	122	79	71
Sept.	125	109	111	99	18	114	61	122	97	122	80	76
Oct.	129	111	114	101	23	115	63	120	99	122	81	80
Nov.	133	114	118	104	19	116	68	120	99	122	81	79
Dec.	139	117	123	108	18	117	70	122	101	123	82	85
1941 -												
Jan.	140	118	126	111	16	118	67	122	104	123	85	86
Feb.	141	119	127	111	22	118	68	123	103	123	84	84
Mar.	143	119	127	113	27	119	72	123	103	124	83	89
Apr.	140	122	132	112	28	121	79	126	110	124	89	98
May ⁹	151	125	140	123		124	87	128	112	125	90	97
June ⁹	157					127	90	133	118	126	94	

¹Federal Reserve Board, adjusted for seasonal variation.

²Bureau of Labor Statistics, adjusted for seasonal variation (employment adjusted by Federal Reserve and payrolls by Bureau of Agricultural Economics). Revised January 1941.

³Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised April 1941.

⁴Foreign Agricultural Relations, 1924-29 = 100, adjusted for seasonal variation. Revised April 1941.

⁵Bureau of Labor Statistics, 1926 = 100, converted to 1910-14 = 100.

⁶Bureau of Labor Statistics, 1935-39 = 100, converted to 1913 = 100.

⁷August 1909 July 1914 = 100.

⁸Adjusted for seasonal variation.

⁹Preliminary

Note. In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the different base periods used, and of the fact that income of industrial workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and payrolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and workers' income.